The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SICASA)

NEWSLETTER

JULY 2026



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From The Chairman's Desk



Dear Students

Greetings to all!

At the outset, I extend my heartfelt gratitude to our Managing Committee Members, members of our Branch, Student Managing Committee Members, Branch staff, volunteers, and every student who actively participated in making our Students' Sports Meet a grand success.

As many of you are aware, an unexpected spell of heavy rainfall at the last moment disrupted our original plans and posed a significant challenge to the smooth conduct of the event. However, the unwavering commitment, teamwork, and positive spirit displayed by everyone ensured that the programme was successfully completed in every respect. This experience once again reminded us that TEAM – Together Everyone Achieves More is not just a phrase but a principle that truly leads to success when we work with unity and determination.

I sincerely appreciate the enthusiasm, cooperation, and resilience shown by all those who contributed towards the successful organization of the event. Your collective efforts transformed an unforeseen challenge into a memorable achievement for our Branch.

Looking ahead, we are excited to organize AURA and several other student conferences and professional development programmes in the coming months. These initiatives are planned with the objective of enhancing your technical knowledge, personality development, leadership qualities, and overall professional growth. I encourage every student to make the best use of these opportunities by participating actively and wholeheartedly.

I look forward to your continued support, cooperation, and enthusiastic participation in all our upcoming events. Together, let us continue to learn, grow, and achieve greater milestones for our Branch and the CA fraternity.

With Warm Regards,
CA Vivek Manohar
SICASA Chairman, Kumbakonam Branch (SIRC)

ARTICLE 1

BUSINESS VALUATION METHODS – A COMPREHENSIVE OVERVIEW



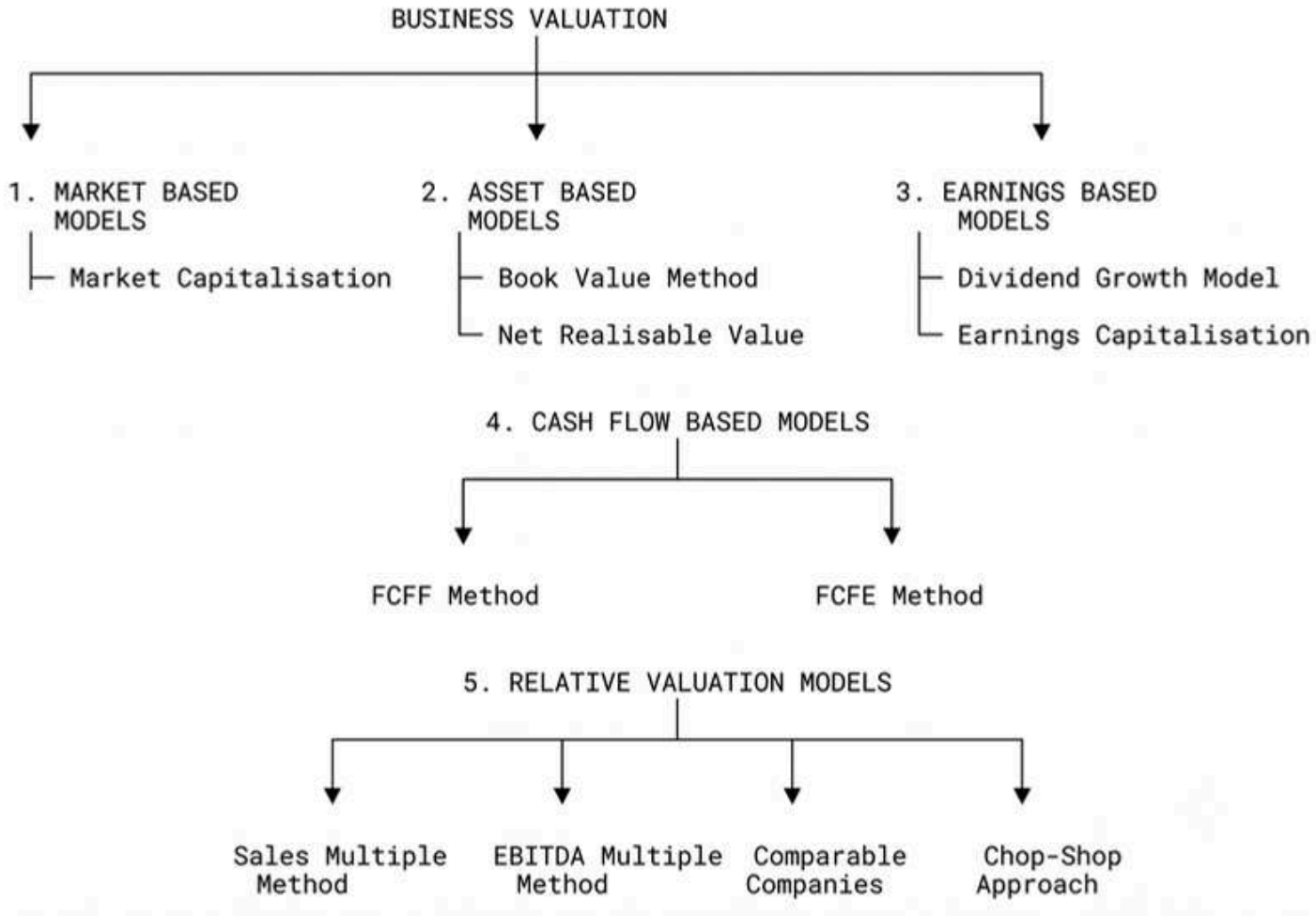
Contributed by: Mr. Dharsan C S, CA Final Student, Thanjavur

Introduction

Business valuation is the process of determining the economic worth of a business enterprise. It plays a vital role in mergers and acquisitions, strategic investments, corporate restructuring, startup funding, IPOs, taxation, and dispute resolution. Since no single valuation method is suitable for every business situation, professionals use different approaches depending on the nature of the business, availability of information, and purpose of valuation.

The major valuation approaches can broadly be classified into five categories: Market-Based Models, Asset-Based Models, Earnings-Based Models, Cash Flow-Based Models, and Relative Valuation Models.

CHART: FIVE MAJOR APPROACHES TO BUSINESS VALUATION



1. Market-Based Models

Market-based valuation derives the value of a company from prevailing market information. It is primarily applicable to listed companies where market prices are readily available.

Market Capitalisation Method

Formula:

Business Value = Market Price per Share × Number of Outstanding Shares

This method assumes that the current market price reflects investors' collective expectations regarding the future performance of the company.

Advantages	Disadvantages
Simple and easy to calculate	Applicable mainly to listed entities
Reflects real-time market perception	Affected by speculation and volatility
Based on actual trading information	May not reflect intrinsic value

2. Asset-Based Models

Asset-based valuation focuses on the net assets owned by the business after settling all liabilities.

Book Value Method
Formula:
Book Value = Total Assets – Total Liabilities

The valuation is based on figures reported in the balance sheet.

Net Realisable Value (NRV) Method
Formula:
NRV of Business = Realisable Value of Assets – Liabilities

Under this approach, assets are valued at the amount expected to be realised upon sale rather than their historical cost.

Advantages	Disadvantages
Useful for asset-intensive businesses	Ignores future earning capacity
Suitable for liquidation situations	Undervalues intangibles and goodwill
Relatively objective	Not suitable for service businesses

3. Earnings-Based Models

Earnings-based methods value a business based on its ability to generate profits.

Dividend Growth Model (DGM)

Formula:

$P_0 = D_1 / (K_e - g)$

Where:

P_0 = Value of Equity D_1 = Expected Dividend Next Year K_e = Cost of Equity g = Growth Rate

The model assumes that dividends will grow at a constant rate indefinitely.

Earnings Capitalisation Method

Formula:

Value of Business = Maintainable Earnings / Capitalisation Rate

Alternatively,

Value of Business = Maintainable Earnings × P/E Multiple

This method is commonly used for mature businesses having stable earnings.

Advantages	Disadvantages
Focuses on profitability	Assumes stable earnings
Simple to understand	Sensitive to estimates
Useful for established companies	Less suitable for high-growth firms

4. Cash Flow-Based Models

Cash flow-based approaches are widely regarded as the most theoretically sound valuation methods because they focus on future economic benefits.

Free Cash Flow to Firm (FCFF)

Formula:

FCFF = EBIT (1 - Tax Rate) + Depreciation - Capital Expenditure - Increase in Working Capital

Enterprise Value is determined as:

Enterprise Value = Present Value of FCFF + Present Value of Terminal Value

FCFF represents cash flows available to all providers of capital, including both debt holders and equity shareholders.

Free Cash Flow to Equity (FCFE)

Formula:

FCFE = PAT + Depreciation - Capital Expenditure - Increase in Working Capital + Net Borrowings

Equity Value = Present Value of FCFE

FCFE represents cash flows available exclusively to equity shareholders.

Advantages	Disadvantages
Forward-looking approach	Dependent on assumptions
Considers growth and risk	Requires detailed forecasting
Widely accepted in practice	Discount-rate sensitivity

5. Relative Valuation Models

Relative valuation estimates value by comparing a company with similar businesses operating in the market.

Sales Multiple Method

Formula:

Business Value = Revenue × Industry Sales Multiple

This method is commonly used for startups and companies with unstable earnings.

EBITDA Multiple Method

Formula:

Enterprise Value = EBITDA × Industry EBITDA Multiple

This is one of the most widely used methods in mergers and acquisitions.

Comparable Companies Multiple Method

Formula:

Business Value = Financial Metric × Comparable Multiple

Chop-Shop Approach

Formula:

Business Value = Sum of Individual Business Segment Values

This method is suitable for diversified conglomerates where each business division can be valued independently.

Advantages	Disadvantages
Easy to understand	Comparable companies may be difficult to find
Reflects market conditions	Affected by market mispricing
Widely accepted by investors	Multiples vary over time

Conclusion

Business valuation is both an art and a science. Each valuation approach provides a different perspective on value and serves a distinct purpose. Market-Based Models reflect investor sentiment, Asset-Based Models focus on net worth, Earnings-Based Models emphasise profitability, Cash Flow-Based Models analyse future benefits, and Relative Valuation Models benchmark against comparable businesses.

In practice, professional valuers generally apply multiple methods and reconcile the results to arrive at a fair valuation. For CA Final students, a sound understanding of these valuation approaches is essential not only for examination purposes but also for future careers in valuation, investment banking, corporate finance, mergers and acquisitions, and financial advisory services.



ARTICLE 2

WHY EVERY CA STUDENT SHOULD READ ASSESSMENT ORDERS



Contributed by: Mr. Sankaranarayanan S Ayyar , CA Final Student, Kottayam

For many CA students, taxation is studied through provisions, illustrations, and examination questions. In practice, however, tax disputes often arise not because the law is unclear but because facts, justification and documentation are insufficient.

Consider a common example involving Section 54F of the Income-tax Act. A taxpayer sold a plot of land and earned a long-term capital gain of ₹20 lakh. To save tax, he claimed exemption under Section 54F on the basis that the proceeds were invested in a residential house. The claim appeared perfectly valid from a legal perspective. However, during assessment proceedings, the taxpayer was unable to produce complete evidence regarding the utilisation of sale proceeds, investment timelines, and supporting property documents. Consequently, the exemption was disallowed, resulting in a substantial tax demand.

Cases such as these demonstrate why assessment orders are valuable learning tools. They show how tax laws are applied in real-life situations and how tax authorities evaluate claims made by taxpayers. By reading assessment orders, students gain exposure to practical issues in taxation and interpretation of law.

More importantly, assessment orders teach a lesson that textbooks often cannot: taxation is not merely about knowing the law. A legally sustainable position may still fail if the taxpayer cannot support it with adequate records, calculations, and evidence.

For article assistants, reviewing assessment orders develops analytical thinking and professional judgment. It helps them understand the importance of documentation, identify common mistakes made by taxpayers, and appreciate how effective submissions are prepared before tax authorities.

As future Chartered Accountants, students must learn not only what the law permits but also how compliance with that law is demonstrated in practice. Assessment orders bridge this gap by converting theoretical knowledge into practical understanding.

In taxation, knowing the law is important. Knowing how to substantiate a claim is equally important.

ARTICLE 3

HOW TO INTERPRET A FORMULA AS A CA STUDENT FT: STANDARD DEVIATION



Contributed by: Mr. Sidarth S, CA Final Student, Kumbakonam

Most of us first encountered Standard Deviation (SIGMA) in school. We memorised the formula, plugged in numbers, and moved on. I had derived formulas in Algebra, Trigonometry, even Calculus — but Statistics? No questions asked.

Preparing for CA Final AFM changed that for me.

While studying Portfolio Management, Standard Deviation reappeared — and this time, I couldn't let it pass without understanding why the formula is built the way it is. Two questions bothered me, and digging into them turned a routine formula into something genuinely satisfying.

What Standard Deviation is actually saying?

At its core, Standard Deviation is the average risk of how much values deviate from the mean. Simple enough. The logical starting point is: calculate each value's deviation from the mean, Square the deviations and average those squared deviations, then take root to remove the square effect. This is what we understand about this formula usually.

$$S = \sqrt{\frac{\Sigma(X - \bar{X})^2}{N}}$$

where S = the standard deviation of a sample,
Σ means "sum of,"
X = each value in the data set,
$\bar{X}$ = mean of all values in the data set,
N = number of values in the data set.

We usually assume squaring is just because the deviations cancel each other out and sum to zero. Always. So, a direct average is useless.

Doubt 1: Why square the deviation? Why not just use the absolute value?

The obvious fix is to ignore the sign — use $|X - \bar{X}|$ instead. This is actually a real measure called Absolute Mean Deviation, and it works mathematically.

But here's what it misses: in risk measurement, a large deviation should hurt more than proportionately. A return that swings 20% away from the mean isn't just twice as risky as one that swings 10% — it's disproportionately worse.

Squaring achieves exactly this. It amplifies larger deviations and gives them a heavier weight in the final calculation. Absolute Mean Deviation treats all deviations linearly. Standard Deviation punishes outliers harder — which is precisely what a risk measure should do.

Illustration for this:

Take 2 security for comparison one gives 15%, 19%, 23% for 3 years respectively and second security gives 20%, 5%, 32% for 3 years respectively.

So, if even the average return of both may be same as 19% but the risk of second security is more because of its high deviations.

Doubt 2: Why does the square root come after dividing by N — not before?

Once we've squared the deviations and summed them, why not take the square root first — to get back to normal units — and then divide by N? (Since we only squared the deviations)

Because the order changes the answer, and the wrong order defeats the purpose.

If you take the root before dividing by N, it will remove the whole impact given i.e., even for higher deviations, risk will be moderate not high. You're collapsing the accumulated squared impact before you've finished averaging it. You return to base units prematurely, and the disproportionate weight you deliberately assigned to larger deviations is lost.

The correct sequence is:

1. Square the deviations (amplify the impact)
2. Average them → this gives you **Variance:** the impact-adjusted average squared deviation (expressed in square units)
3. Take the square root → this gives you **Standard Deviation:** variance expressed back in comparable, interpretable units

Standard Deviation is not Absolute Mean Deviation. It is not a simple average of impacted deviations. It is the square root of the impact-adjusted average risk of how the values may deviate from mean(average) in comparable units.

What this actually means for AFM

When you use Standard Deviation as a proxy for risk in portfolio problems, you're not using a mechanical shortcut. You're using a measure that:

- Gives higher weight to extreme deviations
- Averages that weighted impact across all observations
- Restores interpretability through the square root

The formula has a logic. Once you see it, you can't unsee it.

They say CAs are the Doctors of Finance. A doctor doesn't just read a report — they understand what each number is measuring and why. That's exactly the relationship we should have with every formula we use.



MOTIVATIONAL ARTICLE



MY ENDEAVOR TO BECOME A CA

Contributed by: CA J Sadagopan,
Chief Financial Officer, City Union Bank Ltd, Kumbakonam.

I belong to the village of Thirubuvanam, situated near Kumbakonam. The main occupation of the village is handloom weaving, and "Thirubuvanam Silk" is very famous and comparable to "Kanchipuram Silks". When I opted for the CA course, there was only one CA in Thirubuvanam. Now, there are more than 15 CAs and around 50 CA students.

The details of my education are as under:

Particulars	School /Institution
School Education	Thirubuvanam Panchayat Board Middle School
Higher Secondary	Thiruvavaduthurai Adhinam Higher Secondary School, Thiruvidaimaruthur
B SC-Physics	Government Arts College Kumbakonam
CA Article-ship	M/S Arasu Arunachalam CAs Kumbakonam
Pre-Qualification Job	M/S Natarajan & Vaidyanathan CAs Kumbakonam

As I completed my degree in Science, choosing the CA course was a very good decision for me to learn Accountancy and Taxation. During the initial years of my articleship, I faced considerable difficulty in learning Accountancy. However, after two years, I became familiar with the basics of CA subjects, as I had not studied them during my school and college education.

My journey to becoming a Chartered Accountant was very challenging. After qualifying, I joined City Union Bank in 2006 as an Officer and have now been elevated to the post of Chief Financial Officer, an esteemed position that every Chartered Accountant in service aspires to achieve in his or her career. During my 20 years of service in City Union Bank, I have been involved in compliance functions relating to various areas, especially Direct and Indirect Taxation, and have discharged these responsibilities with dedication while continuously enriching my knowledge.

To perform successfully in any field, subject knowledge coupled with practical experience is essential. This combination provides expertise in the relevant area. In the field of taxation, practical experience along with sound subject knowledge is the key to success.

For success in any examination, instead of concentrating on the result, focus should be given to the process, which will ultimately produce the desired outcome. For success in examinations, especially the CA examination, the following qualities are essential:

1. Thorough study of the subject
2. Practice with problems
3. Concentration and perseverance
4. Temperament
5. Courage

The basic details of the above qualities are as follows:

Qualities	Ways to achieve
Study of the subject thoroughly	For any subject, no portion should be omitted. Selecting certain portions based on personal preference should also be avoided. Instead, importance should be given to all topics, as questions can arise from any area of the syllabus. Once the subject is studied thoroughly, it builds confidence, which is essential for success in examinations.
Practice with the problems	The manner in which we practice solving problems is crucial for success in the CA course. We must practice solving a large number of problems, as this helps in managing time effectively and allocating appropriate time to each question during examinations.
Concentration & Perseverance	This is a key aspect of success in any field. In the CA course, concentration on the subjects and the goal is essential for achievement. If our efforts are not up to the required level, success will also be limited to that extent. Concentration means avoiding deviations from the subjects and maintaining regular and frequent revision. Perseverance is the determination that forms the foundation for overcoming obstacles and achieving success.
Temperament	This is another important quality for success. At no point should one lose temperament. Even when faced with difficult questions in examinations, they should be handled with the required skills and composure. Maintaining temperament is the basis for exhibiting one's true potential.
Courage	By possessing the above qualities, courage naturally develops, and this ultimately leads to success. Fear results only in despair; therefore, fear should be eliminated. Once there is no fear, success will come as desired.

Success in the CA course and success in practice always require frequent recollection and revision of the subjects. Without continuous revision, achieving success becomes very difficult.

I wish all CA students success in their careers.

ANNOUNCEMENTS

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

Board of Studies (Academic)
The Institute of Chartered Accountants of India

BOS STUDY MATERIAL APPLICABLE FOR FINAL COURSE, NOVEMBER 2026 EXAMINATION

Subjects	Edition Month & Year
Paper 1: Financial Reporting (Module 1, 2, 3, 4, 5)	November, 2024(Reprint August, 2025 and onwards) + RTP for November 2026
Paper 2: Advanced Financial Management	November, 2024 (Reprint August, 2025 and onwards)
Paper 3: Advanced Auditing, Assurance and Professional Ethics (Module 1, 2, 3)	November, 2024(Reprint August, 2025 and onwards) + Academic Update/RTP November 2026
Paper 4: Direct Tax Laws & International Taxation (Module 1, 2, 3, 4)	September, 2025 + RTP November,2026 + Judicial Updates November, 2026
Paper 5: Indirect Tax Laws (Module 1, 2, 3, 4)	September, 2025 + RTP November 2026 + Statutory Update – November 2026
Paper 6: Integrated Business Solutions (Multidisciplinary Case Study with Strategic Management)	• Study Materials of core papers of Final Papers 1, 2, 3, Edition November, 2024 (Reprint-August, 2025 and onwards) and Paper 4 & 5 September, 2025 • Study Material of SPOM Set-A (September, 2025) along with amendments relevant for November 2026 Examination • Study Material of SPOM Set-B (October, 2023) • IBS Case Study Digest (July 2024 edition) • IBS Case Study Digest (July 2025 edition) VOL II • Case studies are also available online at - https://boslive.icai.org/sm_chapter_details.php?p_id=18&m_id=74 The above BOS inputs may be studied along with the Study Guidelines (for November, 2026 Examination), wherever applicable.

Joint Director & Secretary, Board of Studies (Academic)

Sports Meet - Kalam 2026
From the Kalam
20th and 21st June 2026
































Kalam 2026
Prize Distribution























INVITATION TO CONTRIBUTE ARTICLES FOR THE NEWSLETTER

Dear Students,

Kumbakonam Branch (SICASA) invites enthusiastic students to contribute articles for our upcoming Newsletter.

This is an excellent opportunity to showcase your knowledge, creativity, and writing skills on topics related to Chartered Accountancy, professional development, technology, taxation, auditing, finance, management, student experiences, motivational insights, or any other relevant subject of interest to the student community.

Students interested in contributing articles may kindly contact the Branch Office @ **9486665557** / **kumbakonam@icai.org** or any of the SICASA Managing Committee Members for submission guidelines and deadlines.

We encourage all students to actively participate and make our newsletter a valuable platform for sharing knowledge and ideas.

Your contribution can inspire and benefit fellow students!



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